REGISTRAR

EMIH Limited

Report and Financial Statements

31 January 2007

Registered No 3513218

Charity No 1073254

Directors

Councillor David W Gemmell OBE - Chairman
Trevor S E Boanas
John F Brignall
Professor Graham Chesters
Professor David J Drewry
Anthony J Hunt
Michael R Killoran

Secretary

Neil G Porteus

Auditors

Ernst & Young LLP
Lowgate House
Lowgate
Hull
HU1 1JJ

Bankers

National Westminster Bank plc
PO Box 944
34 King Edward Street
Hull
HU1 3YN

Solicitors

Rollits
Wilberforce Court
High Street
Hull
HU1 1YJ

Registered Office

The Deep
Kingston Upon Hull
HU1 4DP

Directors' and trustees' report

The directors and the trustees of the charity present their report and the audited accounts for the year ended 31 January 2007

Charitable Objectives

As defined in its governing documents, the objectives of the charity are

- to advance the educational and cultural welfare of the inhabitants of Kingston upon Hull in particular and the community at large, and
- to promote the conservation of marine organisms by establishing in Kingston upon Hull, The Deep aquarium, incorporating an international centre of excellence for education, learning and research of the marine environment

Within the above Objectives, the charity's strategy is to maintain reserves at a level sufficient to cover the accounting depreciation, to meet ongoing revenue commitments and to continue to invest in the facilities at The Deep so that it can fulfil its educational, marine research and conservation objectives to the full

Activity during the year

Activity during the year was in line with the company's charitable objectives and its performance exceeded the targets that had been set The charity's aim is to continue to attract sufficient visitors to The Deep so that it can cover its operational costs and generate sufficient resources so that it can continue to maintain its facilities, consider their ongoing improvement and be able to support conservation and marine research projects In terms of its targets for the year, the charity performed as follows

- 18% more visitors and learners were attracted than had been assumed in the Business Plan,
- a new exhibition zone, entitled 'Slime', was developed during the year and opened to the public in time for Easter 2007,
- the charity continued to support conservation and marine research projects (both financially and in-kind) to help preserve elements of our marine environment and to learn more about them

Financial performance

During the year, the group received income of £6,093,337 which is reflected in the Statement of Financial Activities Of this amount, £579,455 was grant income received in respect of The Deep Visitor Attraction's Phase 2 extension, £4,699,639 of expenditure (excluding depreciation of £1,834,368) is also reflected in the Statement of Financial Activities, giving an operational surplus for the year of £882,537 before corporation tax of £68,296

In revenue terms, the principal income source of the group comes from visitors and learners through admission income, gift aid and secondary spends

The group reserves of £36,995,069 as at 31 January 2007 primarily consist of capital grants received for the construction of The Deep Visitor Attraction and The Deep Business Centre, expenditure on which has been capitalised and which will be amortised over the useful life of the associated assets

As a Charity, the company's Memorandum and Articles of Association do not permit the payment of dividends

Future Performance and Activity

It is important that sufficient visitors continue to be attracted to The Deep so that it can cover its operational costs and generate sufficient resources to maintain the quality of its facilities, and provide for their ongoing improvement, whilst also enabling the charity to continue to support conservation and marine research projects

Directors' and trustees' report

Structure, Governance and Administration

The company's Memorandum of Articles of Association and the Joint Venture Agreement between the company, Kingston upon Hull City Council and the University of Hull dated 6 April 1999 set out the method of governance of the company and charity

Subject to some specific provisions within the Joint Venture Agreement, the Board of Trustees may appoint individuals to fill vacancies during the year as they fall due, but that such appointments would only be until the date of the company's next Annual General Meeting (AGM) Where an appointment is made at an AGM, then that appointment would run until terminated by either party

The Charity is run by a small Board of Trustees, each with the right balance of skills and experience Each trustee is responsible for a portfolio of which they have relevant experience Meetings of the trustees are held regularly and attendance rates are high The trustees have a clear understanding of their role and its fulfilment

Trustees receive an appropriate, tailored induction and throughout the course of the year, receive external advice on any major issues affecting the charity

Day-to-day management of the Charity is delegated to Colin Brown (Chief Executive Officer), Neil Porteus (Finance Director, Company Secretary and Charity Commission Correspondent) and David Gibson (Director of Husbandry & Operations)

Taxation

The company, as a registered charity, has obtained exemption from corporation tax Charitable tax exemptions can therefore be claimed to the extent that income and/or gains are applicable and applied for charitable purposes only

Company status

The company is a private company limited by guarantee, not having a share capital, and is also registered as a charity (number 1073254)

Members

The members of the company are Kingston upon Hull City Council (corporate member), The University of Hull (corporate member) and four of the serving directors Professor Graham Chesters, John F Brignall, Michael R Killoran and Professor David J Drewry

Directors and their interests

The directors who served the company during the year were as follows

Councillor David W Gemmell OBE	
John A Parkes CBE	(resigned 31 July 2007)
Trevor S E Boanas	
John F Brignall	
Professor Graham Chesters	
Professor David J Drewry	(appointed 12 May 2006)
Anthony J Hunt	
Michael R Killoran	

All directors are also trustees of the charity

None of the directors held any beneficial interest in the company or any of the group companies requiring disclosure under the Companies Act 1985

Directors' and trustees' report

Related parties

Transactions with related parties are disclosed in note 20

Political and charitable contributions

As a charity, the company is forbidden from making political donations The company made charitable donations of £Nil (2006 - £1,087) during the year

Risk review and reserves policy

The directors have discussed the major risks to which the charity is exposed with the officer management team, jointly developing systems to mitigate those risks Furthermore, a strategic plan has been developed in terms of external risks and internal risks are minimised by the implementation of procedures for the authorisation of all transactions and to ensure consistent quality of delivery for all operational aspects of the charitable company These procedures are periodically reviewed to ensure that they still meet the needs of the charity

The trustees monitor the level of reserves closely to ensure that the charity has sufficient funds to sustain its operations and to finance its future development plans The level of the group and charity's reserves are reviewed by the trustees at each of their monthly trustee meetings The £36,995,069 of group reserves consists of capital grants received for the construction of The Deep Business Centre and Visitor Attraction, expenditure on which has been capitalised and will be amortised over the useful life of the associated assets Accordingly, reserves of this level need to be held to cover the amortisation of capitalised fixed assets

Principal risks

Whilst the group is exposed to price, credit, liquidity and investment risks, these are only minor risks for the company

Price Risk

At the start of each financial year, the group reviews its budget for the coming year and sets its admission prices to cover its forecasted expenditure Compared to other national attractions, The Deep's current admission charges remain very competitive

Credit risk

The majority of the group's income is received at the point of sale and so poses no credit risk The exception to this would be the income from tenants of The Deep Business Centre All tenants are subject to external credit checks at the outset and are subject to ongoing credit checks Furthermore, a deposit is taken from all tenants at the outset and rent is required to be paid in advance of the period to which it relates

Liquidity risk

The group retains sufficient cash to ensure that it has sufficient available funds for operations

Investment risks

Any surplus cash that the group has available is invested with its bankers through their Treasury Reserve Centre Such investments include only cash balances earning interest at fixed rates The company does not use derivative financial instruments, nor does it invest in equities

Directors' and trustees' report

Statement of directors' and trustees' responsibilities in respect of the accounts

The directors are responsible for the preparing the Annual Report and the financial statements in accordance with applicable United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare accounts for each financial period which give a true and fair view of the state of affairs of the charity and the surplus or deficit of the charity for that year In preparing those accounts, the directors are required to

- Select suitable accounting policies and then apply them consistently,
- Make judgements and estimates that are reasonable and prudent, and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity, and to enable them to ensure that the accounts comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Auditors

A resolution to re-appoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting

By order of the board

N G Porteus
Secretary

14 September 2007

ERNST & YOUNG

Independent auditors' report

to the members of EMIH Limited

We have audited the group and parent company financial statements (the "financial statements") of EMIH Limited for the year ended 31 January 2007 which comprise the Group Statement of Financial Activities, the Group and Company Balance Sheets, the Group Statement of Changes in Resources, the Group Statement of Total Recognised Gains and Losses and the related notes 1 to 22 These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements This other information comprises only the directors' and trustees' report We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements Our responsibilities do not extend to any other information

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

ERNST & YOUNG

Independent auditors' report

to the members of EMIH Limited (continued)

Opinion

In our opinion

- The financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and parent company's affairs as at 31 January 2007 and of the group's net outgoing resources for the year then ended,

- The financial statements have been properly prepared in accordance with the Companies Act 1985, and

- The information given in the directors' report is consistent with the financial statements

Ernst & Young LLP

Ernst & Young LLP
Registered auditor
Hull

14 September 2007

Consolidated statement of financial activities

for the year ended 31 January 2007

	Notes	Total unrestricted funds 2007 £	Total unrestricted funds 2006 £
Incoming resources			
Grant income	3	579,455	987,084
Bank interest		668,205	618,725
Other finance income		45,000	15,000
Private donations	3	-	21,141
Gift Aid membership fees		2,181,657	2,387,927
Surplus on revaluation of tangible fixed assets		-	2,060,180
Activities for generating funds			
Commercial trading operations	3	2,619,020	2,540,957
Total incoming resources		6,093,337	8,631,014
Less cost of generating funds			
Commercial trading operations		(848,636)	(775,837)
Net incoming resources available for charitable application		5,244,701	7,855,177
Charitable expenditure			
Cost of operating trading subsidiary	5	(594,521)	(545,935)
Marketing, publicity and events	5	(152,393)	(329,236)
Management and administration	5	(3,826,817)	(3,661,937)
Support costs	5	(1,043,346)	(1,646,867)
Total charitable expenditure and resources expended		(5,617,077)	(6,183,975)
Trading subsidiary corporation tax	8	(68,296)	(55,291)
Movement in total funds for the year			
Operational surplus		882,537	445,254
Less trading subsidiary corporation tax		(68,296)	(55,291)
Grant income		579,455	987,084
Surplus on revaluation of timing the fixed assets		-	2,060,180
Depreciation		(1,834,368)	(1,821,316)
Net (outgoing)/incoming resources for the year	18	(440,672)	1,615,911
Total funds brought forward		37,319,101	35,588,980
Actuarial gains on pension scheme		144,000	141,000
Deferred tax thereon		(27,360)	(26,790)
Total funds carried forward	18	36,995,069	37,319,101

All incoming resources and resources expended derive from continuing activities

Statement of total recognised gains and losses

for the year ended 31 January 2007

	2007 £	2006 £
Net (outgoing)/incoming resources for the year	(440,672)	1,615,911
Actuarial gains recognised in the pension scheme	144,000	141,000
Deferred tax thereon	(27,360)	(26,790)
Total recognised gains and losses relating to the year	(324,032)	1,730,121

Consolidated and charity balance sheets

at 31 January 2007

	Note	Group 2007 £	Group 2006 £	Charity 2007 £	Charity 2006 £
Fixed assets					
Tangible assets	9	36,491,815	38,305,175	36,438,869	38,250,000
Investments	10	-	-	4	4
		36,491,815	38,305,175	36,438,873	38,250,004
Current assets					
Stock	11	283,693	301,512	-	-
Debtors	12	203,286	276,662	1,759,571	1,940,323
Cash at bank and in hand		14,680,891	13,640,961	14,342,625	13,409,777
		15,167,870	14,219,135	16,102,196	15,350,100
Creditors amounts falling due within one year	13	3,052,606	1,059,109	4,102,916	2,141,389
Net current assets		12,115,264	13,160,026	11,992,280	13,208,711
Creditors amounts falling due after more than one year	15	-	(2,300,000)	-	(2,300,000)
Provisions for liabilities and charges	16	(12,000,000)	(12,000,000)	(12,000,000)	(12,000,000)
Net assets before pension asset		36,607,079	37,165,201	36,438,153	37,158,715
Pension asset - net of deferred tax		387,990	153,900	-	-
Net assets including pension asset		36,995,069	37,319,101	36,438,153	37,158,715
Funds					
Unrestricted funds	18	36,995,069	37,319,101	36,438,153	37,158,715
Non-equity members' funds		36,995,069	37,319,101	36,438,153	37,158,715

Approved by the trustees on 14 September 2007 and signed on its behalf

D W Gemmell OBE) Trustees

Director

Statement of changes in resources applied for fixed assets for charity use

for the year ended 31 January 2007

	Note	2007	2006
		£	£
Net incoming resources for the period		(440,672)	1,615,911
Trading subsidiary taxation		68,296	55,291
Decrease/(increase) in stocks		17,819	(91,427)
Decrease in debtors		73,376	121,764
Decrease in creditors		(47,249)	(489,714)
Depreciation		1,834,368	1,821,316
Revaluation surplus		-	(2,060,180)
Movement in pension liability arising out of operations		(100,000)	(73,000)
Movement in pension liability arising out of other finance income		(45,000)	(15,000)
Net cash inflow		1,360,938	884,961
Taxation		-	-
Capital expenditure			
Purchase of tangible fixed assets		(21,008)	(840,469)
Financing			
Repayment of loan		(300,000)	(250,000)
Issue of loan		-	550,000
Increase/(decrease) in cash	14	1,039,930	344,492

Reconciliation of net cash flow to movement in net funds

	2007	2006
	£	£
Increase/(decrease) in net cash in the year	1,039,930	344,492
Cash outflow/(inflow) from decrease/(increase) in debt and lease financing	300,000	(300,000)
Movement in net debt in year	1,339,930	44,492
Net funds at 1 February	11,040,961	10,996,469
Net funds at 31 January	12,380,891	11,040,961

Statement of changes in resources applied for fixed assets for charity use

for the year ended 31 January 2007

	Total unrestricted funds 2007 £	*Total unrestricted funds 2006* £
Outgoing/(incoming) resources	(440,672)	1,615,911
Resources used for net acquisitions of fixed assets for charity use	-	(794,557)
Net movement in funds available for future activities	(440,672)	821,354

Notes to the financial statements

At 31 January 2007

1. Accounting policies

Accounting convention

The accounts are prepared under the historical cost convention modified to include the revaluation of The Deep Visitor Attraction and Business Centre and in accordance with applicable accounting standards, the Companies Act 1985, and in accordance with the Statement of Recommended Practice, Accounting and Reporting by Charities (SORP 2005)

Group financial statements

These financial statements consolidate the results of the charity and its wholly-owned subsidiaries Running Deep Limited and Deep Developments Limited on a line by line basis A separate Statement of Financial Activities, or income and expenditure account, for the charity itself is not presented because the charity has taken advantage of the exemptions afforded by section 230 of the Companies Act 1985 and paragraph 397 of SORP 2005

Commercial trading activities

Income from commercial activities is included in the year in which the group is entitled to receipt

Grants Receivable

Grants, including grants for the purchase of fixed assets, are recognised in full in the Statement of Financial Activities in the year in which they are receivable

All grant income receivable is in furtherance of the objectives of the charity Thus all general funds have been designated as unrestricted funds which are available for use at the discretion of the trustees, albeit that most of the grant income receivable is against expenditure already incurred or committed

Interest receivable

Interest is included when receivable by the charity

Resources expended

Resources expended are included in the Statement of Financial Activities on an accruals basis, inclusive of any VAT which cannot be recovered

Tangible fixed assets and depreciation

Following the completion of the Visitor Attraction phase 2 extension in March 2005, the company's buildings were revalued by Sanderson Weatherall in accordance with the provisions of FRS 15 These assets will be depreciated over their useful lives of 25 years

Equipment is depreciated over 3 – 5 years

Fund accounting

Funds held by the charity are either

- Unrestricted general funds – these are funds which can be used in accordance with the charitable objects at the discretion of the trustees
- Designated funds – these are funds set aside by the trustees out of unrestricted general funds for specific future purposes or projects
- Restricted funds – these are funds that can only be used for particular restricted purposes within the objects of the charity Restrictions arise when specified by the donor or when funds are raised for particular restricted purposes

Notes to the financial statements

At 31 January 2007

1. Accounting policies (continued)

Deferred taxation

The charge for taxation is based on the profit for the year of the subsidiary undertaking and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Pension

The company/group participates in the Local Government Pension Scheme Contributions are made to a separately administrated fund Pension scheme assets are measured at fair value and scheme liabilities are measured on an actuarial basis using the projected unit method and discounted at an interest rate equivalent to the current rate of return on a high quality corporate bond

The service cost of providing pension and other post-retirement benefits to employees for the year is charged to the operating profit or loss in the year The full cost of providing amendments to benefits in respect of past service is also charged to the operating surplus or deficit in the year

The expected return on defined benefit pension scheme assets based on the market value scheme assets at the start of the financial year is included within other finance costs This also includes a charge representing the expected increase in liabilities of the scheme during the year, arising from the liabilities being one year closer to payment Differences between actual and expected returns on assets during the year are recognised in the statement or recognised gains and losses in the year, together with differences from changes in assumptions The net surplus/(deficit) on defined benefit schemes is reported on the balance sheet within the pension asset/(liability) This is net of related deferred tax

2. Income and expenditure

Income represents the amount of grants receivable and other income, exclusive of VAT, during the year covered by these accounts Income and expenditure are directly attributable to the principal activities of the company and charity

Notes to the financial statements

At 31 January 2007

3. Incoming resources

	2007	2006
	£	£
Grant Income		
Millennium Commission	488,877	585,557
ERDF 20	85,000	175,000
Citybuild	-	225,731
Other	5,578	796
	579,455	987,084

Grant income as detailed above was received retrospectively to fund capitalised construction expenditure The grant income received in 2007 was in relation to an extension to The Deep Visitor Attraction The extension was completed in March 2005

	2007	2006
	£	£
Private donations		
Other private donations	-	1,141
Environment Agency	-	20,000
	-	21,141

	2007	2006
	£	£
Activities for generating funds		
Commercial trading operations	2,619,020	2,540,957

Commercial trading operations income relates to income generated by Running Deep Limited, which operates The Deep Visitor Attraction and The Deep Business Centre

Notes to the financial statements

At 31 January 2007

4. Commercial trading operations and investment in trading subsidiary

The wholly owned trading subsidiary Running Deep Limited is incorporated in the United Kingdom Running Deep Limited operates the Deep Business Centre and Deep Visitor Attraction Running Deep Limited is responsible for the day to day running of both the Visitor Attraction and the Business Centre

The Visitor Attraction does not provide subsidies to the Business Centre If the Business Centre were to become a drain on the organisation then it would be disposed of

The charity owns the entire issued share capital of 2 ordinary shares of £1 each A summary of the trading results is shown below

Summary profit and loss account:

	2007	*2006*
	£	*£*
Turnover	5,724,260	5,690,769
Cost of sales	(830,812)	(754,873)
Gross profit	4,893,448	4,935,896
Administrative expenses	(4,603,203)	(4,678,987)
Bank interest receivable	12,944	6,929
Other finance income	45,000	15,000
Profit before taxation	348,189	278,838
Taxation	(68,296)	(55,291)
Profit retained	279,893	223,547

The assets and liabilities of the subsidiary were

	2007	*2006*
	£	*£*
Tangible fixed assets	52,946	55,175
Current assets	2,433,723	2,266,707
Creditors amounts falling due with one year	2,317,738	2,315,394
Net assets before pension asset	168,931	6,488
Pension asset (net of deferred tax)	387,990	153,900
Net assets including pension asset	556,921	160,388
Aggregate share capital and reserves	556,921	160,388

Notes to the financial statements

At 31 January 2007

5. Total resources expended

	2007	2006
	£	£
Depreciation	1,834,368	1,821,316
Support costs	1,043,346	1,646,867
Marketing, publicity and events	152,393	329,236
Staff costs	1,769,585	1,590,651
Auditors' remuneration - audit services	13,300	12,700
- non-audit services	18,833	21,665
Other management and administration costs	190,731	215,605
Cost of operating subsidiary	594,521	545,935
	5,617,077	6,183,975

Staff costs above include those within the subsidiary's administration expenses in note 4

6. Staff costs

	2007	2006
	£	£
Salaries	1,203,050	1,090,388
Social security costs	374,514	339,423
Pensions	192,021	166,240
	1,769,585	1,590,651

The number of employees whose emolument as defined for taxation purposes amounted to over £60,000 in the year was as follows

	2007	2006
	No	No
£80,001 - £90,000	-	1
£90,001 - £100,000	1	-

The average number of people employed by the company was as follows

	2007	2006
	Total	Total
	No	No
Management	6	6
Administration	121	120
	127	126

Notes to the financial statements

At 31 January 2007

6. Staff costs (continued)

None of the directors received any emoluments from the company during the current period or previous year

The trustees neither received nor waived any emoluments during the year (2006 - £Nil)

Out of pocket expenses were reimbursed to trustees as follows

	2007	*2007*	*2006*	*2006*
	No	*£*	*No*	*£*
Travel	-	-	1	46

7. Direct project expenditure

Charity	*2007*	*2006*
	£	*£*
Management and works contractors	-	756,128
Consultants fees	-	38,429
	-	794,557

Direct project expenditure has been capitalised

8. Tax

a) Tax on profit on ordinary activities of trading subsidiary

	2007	*2006*
	£	*£*
Current tax:		
Corporation tax	-	-
Total current tax (note 8(b))	-	-
Deferred tax:		
Origination and reversal of timing differences	68,296	55,291
Tax on profit on ordinary activities	68,296	55,291

Notes to the financial statements

At 31 January 2007

8. Tax (continued)

b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 19% (2006 – 19%) The differences are reconciled below

	2007 £	2006 £
Profit on ordinary activities of trading subsidiary	348,189	278,838
Profit on ordinary activities of trading subsidiary multiplied by the standard rate of corporation tax in the UK of 19% (2006 – 19%)	66,156	52,979
Expenses not deductible for tax purposes	2,140	2,312
Depreciation in excess of capital allowances	1,600	650
Gift aid payment to parent charity following the year end	(87,959)	(45,427)
Other timing differences	18,063	(10,514)
Total current tax (note 8(a))	-	-

c) Factors affecting future tax charges

The Finance Act 2007 received Royal Assent on 19 July 2007 Consequently the lower rate of corporation tax will increase from 19% to 20% as of 1 April 2007 The increase in the tax rate is not considered to have a material effect on the deferred tax provided at 31 January 2007

d) Deferred tax (asset)/liability

	2007 £	2006 £
Capital allowances in advance of depreciation	(13,760)	(12,160)
Other timing differences	84,840	42,494
Provision for deferred taxation (note 13)	71,080	30,334
Deferred tax recognised in the pension scheme (note 21)	91,010	36,100
	162,096	66,434

	£
At 1 February 2006	66,434
Profit and loss account movement arising during the year	68,296
Arising in the statement of total recognised gains and losses	27,360
At 31 January 2007	162,090

Notes to the financial statements

At 31 January 2007

9. Tangible fixed assets

	Visitor attraction and Business centre Group	
	Group	*Charity*
	£	£
Cost or valuation		
At 1 February 2006	38,356,437	38,250,000
Additions	21,008	-
At 31 January 2007	38,377,445	38,250,000
Depreciation		
At 1 February 2006	51,262	-
Provided in the year	1,834,368	1,811,131
At 31 January 2007	1,885,630	1,811,131
Net book value		
At 31 January 2007	36,491,815	36,438,869
At 31 January 2006	38,305,175	38,250,000

The assets of the group were valued by Sanderson Weatheralls as at 31 January 2006, on the basis of depreciated replacement cost for The Deep Visitor Attraction (£34,500,000) and on the basis of open market value for The Deep Business Centre (£3,750,000) in accordance with The Appraisal and valuation standards (Fifth edition) ("The Red Book") prepared by the Royal institution of Chartered Surveyors The assets are being depreciated over a 25 year period Current year additions are recorded at cost

If these assets had not been revalued they would be held in the balance sheet at

	Group	*Charity*
	£	£
Cost		
As at 31 January 2006	44,990,902	44,884,465
Additions	21,008	-
As at 31 January 2007	45,011,910	44,884,465
Depreciation		
As at 31 January 2006	4,613,564	4,562,302
Charge	1,825,518	1,802,280
As at 31 January 2007	6,439,082	6,364,582
Net book value		
As at 31 January 2007	38,572,828	38,519,883
As at 31 January 2006	40,377,338	40,322,163

Notes to the financial statements

At 31 January 2007

9. Tangible fixed assets (continued)

In the opinion of the directors, the net book value of the assets of the group and the charity is at least equal to the depreciated replacement cost The next formal valuation is due to be performed as at 31 January 2009

10. Investments

Charity

	£
Cost	
At 1 February 2006 and 31 January 2007	4

Investments comprise the wholly owned subsidiary undertakings

Name of company	*Shares held*	*Proportion of voting rights and shares held*	*Nature of business*
Subsidiary undertakings			
Running Deep Limited	Ordinary	100%	Tourism
Deep Developments Limited	Ordinary	100%	Dormant

11. Stocks

		Group		*Charity*
	2007	*2006*	*2007*	*2006*
	£	£	£	£
Finished goods	283,693	301,512	-	-

12. Debtors

		Group		*Charity*
	2007	*2006*	*2007*	*2006*
	£	£	£	£
Trade debtors	66,551	88,292	-	1,800
Other debtors	53,398	56,988	-	15,417
Prepayments and accrued income	83,337	131,382	43,968	60,523
Amounts owed by group undertakings	-	-	1,715,603	1,862,583
	203,286	276,662	1,759,571	1,940,323

Notes to the financial statements

At 31 January 2007

13. Creditors: amounts falling due within one year

		Group		*Charity*
	2007	*2006*	*2007*	*2006*
	£	*£*	*£*	*£*
Short term loans	2,300,000	300,000	2,300,000	300,000
Trade creditors	272,565	522,435	35,607	247,736
Accruals	278,610	53,470	114,863	6,729
Other creditors	97,954	137,633	-	51,833
Other taxes and social security	32,397	15,237	-	-
Amounts owed to group undertakings	-	-	1,652,446	1,535,091
Deferred tax (note 8)	71,080	30,334	-	-
	3,052,606	1,059,109	4,102,916	2,141,389

The short term loan relates to a cash flow loan repayable on demand

14. Analysis of the movement in net debt

	At 31 January 2006	*Cash flow*	*At 31 January 2007*
	£	*£*	*£*
Cash at bank and in hand	13,640,961	1,039,930	14,680,891
Loans (note 13 and 15)			
Due within one year	(300,000)	(2,000,000)	(2,300,000)
Due after more than one year	(2,300,000)	2,300,000	-
	11,040,961	1,339,930	12,380,891

15. Loans

	Group 2007	*Group 2006*	*Charity 2007*	*Charity 2006*
	£	*£*	*£*	*£*
Kingston upon Hull City Council cash flow loan facility, repayable on 30 April 2007 Interest is charged at LIBOR + 1/16%	-	2,300,000	-	2,300,000
	-	2,300,000	-	2,300,000
Amounts repayable				
In more than one year but not more than two years	-	2,300,000	-	2,300,000

Notes to the financial statements

At 31 January 2007

16. Provisions for liabilities and charges

	Group	Charity
	£	£
At 1 February 2006 and 31 January 2007	12,000,000	12,000,000

The above amount is a provision in respect of a letter of credit repayable at the company's option in the period to, but not exceeding, February 2037

17. Members' liability

The company was incorporated as a company limited by guarantee and therefore it has no share capital The liability of each member in the event of winding-up is limited to £1 each

18. Unrestricted funds of the charity

	Group 2007	Group 2006	Charity 2007	Charity 2006
	£	£	£	£
At 1 February	37,319,101	35,588,980	37,158,715	35,766,351
Net (outgoing)/incoming resources for the year	(440,672)	1,615,911	(720,562)	1,392,364
Actuarial gains recognised in the pension scheme	144,000	141,000	-	-
Deferred tax thereon	(27,360)	(26,790)	-	-
At 31 February	36,995,069	37,319,101	36,438,153	37,158,715

19. Charitable status

The company is registered with the Charity Commission as number 1073254

Notes to the financial statements

At 31 January 2007

20. Related party transactions

The company has been set up as a joint venture between the University of Hull and Kingston upon Hull City Council Various assets, services and funding have been provided by the partners as follows

Kingston Upon Hull City Council

- Kingston Upon Hull City Council has agreed to provide cash flow loan facilities to the company of £2,900,000 (2006 - £2,900,000), which can be drawn down as required £2,300,000 (2006 - £2,300,000) was outstanding at the year end Interest is charged at LIBOR + 1/16 per cent on this facility

University of Hull

- No transactions requiring disclosure

Councillor DW Gemmell OBE is an elected member of Kingston upon Hull City Council Mr J A Parkes CBE is a member of the Council of the University of Hull Professor D J Drewry is the Vice Chancellor of the University of Hull Professor G Chesters is a senior officer of the University of Hull and a director of Hull Cityventure Limited

21. Pensions commitments

EMIH Limited is an admitted body of the East Riding Pension Fund, a Local Government Pension Scheme (LGPS) administered by the East Riding of Yorkshire Council The Pension Scheme is a defined benefit scheme, with benefits being determined by an employee's length of service and level of remuneration during their last 12 months of employment Membership of the Pension Scheme is open to all employees, with an employee required to make a contribution of 6% of pensionable pay with The Deep augmenting this with an employer contribution of 27 9% of an employee's pensionable pay

The pension cost for the period of these accounts was £192,021 (2006 - £166,240)

The valuation used for FRS 17 disclosures has been based on the most recent actuarial valuation as at 31 March 2004 and updated by Hymans Robertson to take account of the requirements of FRS 17 in order to assess the liabilities of the scheme at 31 March 2007, 31 March 2006and 31 March 2005 Scheme assets are stated at their market value at the respective balance sheet dates

	2007	*2006*	*2005*
	%	%	%
Main assumptions			
Rate of increase in salaries	3 2	3 1	4 4
Rate of increase in pensions in payment	3 2	3 1	2 9
Discount rate	5 4	4 9	5 4
Inflation assumption	3 2	3 1	2 9

Notes to the financial statements

At 31 January 2007

21. Pensions commitments (continued)

The assets and liabilities of the scheme and the expected rate of return at 31 March are

	Long-term rate of return expected	*2007 Value*	*Long-term rate of return expected*	*2006 Value*	*Long term rate of return expected*	*2005 Value*
	%	*£000*	*%*	*£000*	*%*	*£000*
Equities	7 8	1,541	7 4	1,228	7 7	454
Bonds	4 9	153	4 6	143	4 8	71
Properties	5 8	114	5 5	91	5 7	40
Others	4 9	87	4 6	71	4 8	35
Total market value of assets		1,895		1,533		600
Present value of scheme liabilities		(1,416)		(1,343)		(639)
Net pension asset/(liability)		479		190		(39)
Deferred tax thereon		(91)		(36)		7
Pension asset/(liability) – net of deferred tax		388		154		(32)

	2007	*2006*
	£000	*£000*
Current service cost	93	110
Total operating charge	93	110
Other finance costs Expected return on pension scheme assets	114	65
Other finance costs Interest on pension scheme liabilities	(69)	(50)
Total other finance income	45	15
STRGL Actual return less expected return on pension scheme assets	13	180
STRGL Gain/(loss) arising from changes in assumptions underlying the present value of scheme liabilities	131	(221)
STRGL Experience gains/(losses) arising or scheme liabilities	-	182
Actuarial gains recognised in the statement of total recognised gains and losses	144	141

Notes to the financial statements

At 31 January 2007

21. Pensions commitments (continued)

Analysis of movements in surplus during the year

	2007	*2006*
	£000	*£000*
At 1 April	190	(39)
Total operating charge	(93)	(110)
Total other finance income	45	15
Actuarial gains recognised in the statement of total recognised gains and losses	144	141
Contributions	193	183
At 31 March	479	190

History of experience gains and losses

	2007	*2006*	*2005*
Difference between expected return and actual return on pension scheme assets – amount (£'000)	13	180	24
– % of scheme assets	0 7	11 8	4 0
Experience losses arising on scheme liabilities			
– amount (£'000)	-	182	-
– % of the present value of scheme liabilities	-	13 6	-
Total actuarial gains recognised in the statement of total recognised gains and losses – amount (£'000)	144	141	4
– % of the present value of scheme liabilities	10 2	10 5	0 6

The scheme is a multi-employer scheme which has a 31 March year end, which is different to that of the company However the directors believe that any differences that would have arisen between the year end of the company and the year end of the scheme will not be material, therefore the disclosures above are as at the scheme's 31 March year end and not as at 31 January

22. Guarantees and financial commitments

The company has entered into a debenture agreement with The Millennium Commission for any indebtedness by the company in favour of The Millennium Commission The Commission has a charge over all the assets of the company